

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA UTILITIES CORPORATION)
FOR AUTHORITY TO CHANGE ITS RATES,)
CHARGES, TARIFFS, RULES, AND REGULATIONS;)
AND FOR APPROVAL OF NEW RATES, CHARGES,)
TARIFFS, RULES, AND REGULATIONS FOR GAS)
SERVICE RENDERED TO ITS CUSTOMERS AND FOR)
AUTHORITY TO ISSUE LONG TERM DEBT)

CAUSE NO. 43520

FILED

NOV 14 2008

INDIANA UTILITY
REGULATORY COMMISSION

PREFILED TESTIMONY OF

MARK H. GROSSKOPF

IN SUPPORT OF SETTLEMENT AGREEMENT

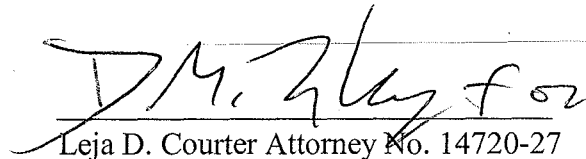
ON BEHALF OF

THE INDIANA OFFICE OF

UTILITY CONSUMER COUNSELOR

November 14, 2008

Respectfully submitted,



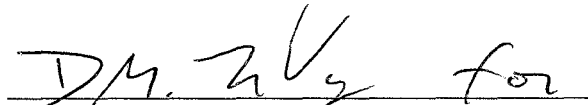
Leja D. Courter Attorney No. 14720-27
Assistant Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing **OUCCE PREFILED TESTIMONY OF MARK H. GROSSKOPF IN SUPPORT OF SETTLEMENT AGREEMENT** has been served upon the following counsel of record in the captioned proceeding by electronic service and/or by depositing a copy of same in the United States mail, first class postage prepaid, on November 14, 2008.

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**TESTIMONY OF MARK H. GROSSKOPF
IN SUPPORT OF SETTLEMENT AGREEMENT
CAUSE NO. 43520
INDIANA UTILITIES CORPORATION**

1 **Q: Please state your name and business address.**

2 A: My name is Mark H. Grosskopf and my business address is 115 W. Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (OUCC) as a
6 Utility Analyst. I have worked as a member of the OUCC's Natural Gas Division
7 since June of 1999.

8 **Q: Please describe your background and experience.**

9 A: I graduated from Indiana University in May 1980, receiving a Bachelor of
10 Science degree in business with a major in accounting. I was employed as an
11 Internal Auditor with Stokely-Van Camp, Inc. from July 1980 to October 1983. I
12 was then employed as an Accountant with Shaffstall Corporation from 1984 to
13 1991; as Accounting Manager with J.M. Mallon, Inc. from 1991 to 1993; and as
14 Controller with Perfection Property Services, Inc. and The Holding Company,
15 Inc., both under the same ownership, from 1994 to 1995. I joined the OUCC in
16 April of 1995. I became a Certified Public Accountant in November of 1998.

17 **Q: Have you previously testified before the Indiana Utility Regulatory**
18 **Commission?**

19 A: Yes, I have testified as an accounting witness in various causes involving water,

1 wastewater, electric, and gas utilities.

2 **Q: What have you done to prepare as a witness in this proceeding?**

3 A: I have reviewed Indiana Utilities Corporation's (Petitioner) prefiled testimony and
4 exhibits and analyzed supporting documentation and responses to OUCC
5 discovery requests provided by Petitioner. I conducted an audit of Petitioner's
6 books and records at the offices of Petitioner's accounting consultant, London
7 Witte. I also participated in informal discussions with Petitioner and Petitioner's
8 consultant, London Witte, and OUCC staff members in developing issues in this
9 Cause. As a result of my analysis and discussions with the Parties in this Cause, I
10 was prepared to recommend several adjustments to Petitioner's proposed revenue
11 requirements. Subsequently, I participated in settlement discussions with
12 Petitioner's consultant.

13 **Q: What is the purpose of your testimony?**

14 A: As a result of the settlement discussions, the Parties have negotiated proposed
15 resolutions of all issues arising in this Cause, as set forth in a Settlement
16 Agreement sponsored by Petitioner in supplemental testimony. I will discuss the
17 effect the Settlement Agreement has on adjustments to pro forma operating
18 expenses, taxes, rate base, capital structure, and cost of equity.

19 **Q: Have you submitted schedules related to your testimony in support of the**
20 **Settlement Agreement?**

21 A: No. Petitioner is sponsoring the settlement schedules to be included with its
22 supplemental testimony in this Cause.

1 **Q: What effect does the Settlement Agreement have on the revenue**
2 **requirements proposed in Petitioner's case-in-chief?**

3 A: The Parties have agreed upon changes to the pro forma payroll increase, pro
4 forma pension contribution, pro forma rate case expense, IURC fee, gasoline
5 expenses, depreciation expense, payroll tax, property tax, and utility receipts tax.
6 The format for the calculations of the pro forma federal and state income taxes are
7 the same as presented in Petitioner's original testimony. The difference in the
8 amount of the pro forma adjustments to these taxes is due to the other changes in
9 pro forma operating expense adjustments. Rate base has been updated from
10 Petitioner's original testimony to include Utility Plant in Service and
11 Accumulated Depreciation as of September 30, 2008 per the cut-off date in the
12 Prehearing Conference Order in this Cause, plus the final cost of the new
13 construction for the new territorial expansion. The change to working capital in
14 the rate base calculation is a result of the changes in pro forma operating expense
15 adjustments. The Long Term Debt of \$750,000 to fund the new line extension
16 remains in the capital structure at a cost of 6%, for which Petitioner will file
17 additional information with the Commission in the form of a true-up filing
18 reflecting the actual terms as of closing. Additionally, the Parties negotiated a
19 rate of return on common equity of 10.3%.

20 **Q: Please explain the issues in this Cause that have been agreed upon by the**
21 **Parties for inclusion in final rates.**

22 A: The Parties have agreed on a reduction to the payroll adjustment, resulting in a
23 commensurate reduction in the pension contribution adjustment and the payroll

1 tax adjustment. The Parties have agreed to a reduction in rate case expense and
2 an amortization period of four years. To calculate the IURC fee, bad debts
3 expense was removed from applicable revenues and the new 2008/2009 fee rate
4 of .001203993 was used. The Parties agreed to not increase gasoline expense
5 over the test year amount. The property tax rate was also not increased over the
6 test year rate, but taxable property was increased to reflect the additional utility
7 plant updated to September 30, 2008. Depreciation expense was also affected by
8 the updated utility plant and the final cost of the new line extension. The utility
9 receipts tax adjustment was corrected to remove gas costs from the applicable
10 utility receipts since this tax is calculated on gas costs in the GCA process.

11 **Q: Please explain the increase in Utility Plant in Service for inclusion of the cost**
12 **of construction for the new territorial expansion, and the associated long**
13 **term debt included in the capital structure.**

14 A: The Parties have agreed to include the cost of the new construction for
15 Petitioner's new territorial expansion in rate base since the project is now
16 substantially complete. The project was funded through short term debt which
17 will be converted to long term debt. For this reason, the \$750,000 debt attributed
18 to the project is included in the capital structure. Based on information currently
19 available, a debt rate of 6% is used, to be trued-up after the long term debt is
20 secured. Petitioner anticipates the final terms of the debt will be known within a
21 few days of the Commission's Order in this Cause. Petitioner will then file
22 additional information with the Commission in the form of a true-up filing
23 reflecting the actual terms of the closing.

1 **Q: Have you reviewed the testimony filed in support of the settlement agreement**
2 **by Petitioner's witnesses Frank Czeschin, Duane Mercer, and Kerry Heid?**

3 A: Yes. The testimony includes support for, and I believe accurately describes, the
4 resolution of issues that was reached between Petitioner and the OUCC.

5 **Q: Does this conclude your testimony in support of the settlement agreement?**

6 A: Yes, it does.

VERIFICATION

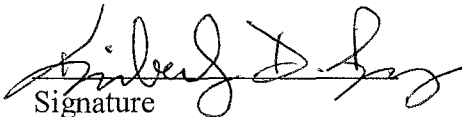
STATE OF INDIANA)
) ss:
COUNTY OF MARION)

The undersigned, Mark H. Grosskopf, under penalties of perjury and being first duly sworn on his oath, says that he is a Employee for the Indiana Office of Utility Consumer Counselor; that he caused to be prepared and read the foregoing that the representations set forth therein are true and correct to the best of his knowledge, information and belief.



By: Mark H. Grosskopf
Indiana Office of
Utility Consumer Counselor

Subscribed and sworn to before me, a Notary Public, this 14th day of November, 2008.


Signature

Kimberly D. Remy
Printed Name

My Commission Expires: October 22, 2010

My County of Residence: Johnson